

REPORT OF AUDIT  
NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

**NINNEKAH SCHOOL DISTRICT NO. I-51**  
GRADY COUNTY, OKLAHOMA  
JUNE 30, 2013

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GRADY COUNTY, OKLAHOMA  
JUNE 30, 2013

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**NINNEKAH INDEPENDENT SCHOOL DISTRICT NO. I-51, GRADY COUNTY  
SCHOOL DISTRICT OFFICIALS  
JUNE 30, 2013**

**BOARD OF EDUCATION**

President	Rusty Garrett
Vice President	Walt Brenning
Clerk	Scott Miller
Member	Dwight Luttrell
Member	Dustin Tate

**SUPERINTENDENT OF SCHOOLS**

Todd Bunch

**ENCUMBRANCE CLERK**

Donelle Lee

**SCHOOL DISTRICT TREASURER**

Darrel Johnston

# Chas. W. Carroll, P.A.

Hiland Tower – Suite 406  
302 N. Independence

Enid, Oklahoma 73701  
Phone 580-234-5468  
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education  
Ninnekah School District #I-51  
Grady County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Ninnekah School District #I-51, Grady County, Oklahoma, as listed in the table of contents, as combined financial statements, as of and for the year ended June 30, 2013.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education as described in Note 1, to meet the requirements of the Oklahoma State Department of Oklahoma. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 to the financial statement, to meet the financial reporting requirements of the Oklahoma State Department of Education, the financial statements are prepared by Ninnekah School District #I-51, Grady County, Oklahoma on the basis of the financial reporting prescribed or permitted by the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2013, or the revenues, expenses, and changes in net position and, where applicable, cash flows thereof for the year then ended.

**Opinion on Regulatory Basis of Accounting**

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed or permitted by the Oklahoma State Department of Education noted above. The amount that should be recorded in the general fixed asset account group is not known.

However, in my opinion, except for the effects of the omission of the general fixed asset account group, the combined financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from regulatory basis transactions of each fund type and account group of the Ninnekah School District #I-51, Grady County, Oklahoma, as of June 30, 2013, and the revenues collected and expenditures paid and encumbered, of each fund type, for the year then ended, on the regulatory basis of accounting described in Note 1.

**Other Matters**

**Other Information**

My audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The combining fund statements and schedules and other schedules as listed in the table of contents, under other supplementary information, are presented for purposes of additional analysis and are not a required part of the combined financial statement of the District. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by United States Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the combined financial statements. This other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting records used to prepare the combined financial statements. The other supplementary information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, I have also issued my report dated March 24, 2014 on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Sincerely,

A handwritten signature in cursive script, reading "Chas. W. Carroll, P.A.", written in dark ink.

Chas. W. Carroll, P.A.  
March 24, 2014

## COMBINED FINANCIAL STATEMENTS



**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combined Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Fund Types and Account Groups**  
**For the Year Ending June 30, 2013**

ASSETS	Governmental Fund Types					Fiduciary Fund Types	Account Group	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency			
Cash and Cash Equivalents	\$ 550,446	\$ 156,526	\$ 22,367	\$ 1,271	\$ 45,811			\$ 776,421
Investments	0	0	0	0	0			0
Amounts Available in Debt Service Fund	0	0	0	0	0			22,367
Amounts to be Provided for Retirement of General Long-Term Debt	0	0	0	0	0			627,633
Amounts to be Provided For Capitalized Lease Agreements	0	0	0	0	0			2,247,508
Amounts to be Provided For Capitalized Compensated Absences	0	0	0	0	0			107,905
<b>Total Assets</b>	<b>\$ 550,446</b>	<b>\$ 156,526</b>	<b>\$ 22,367</b>	<b>\$ 1,271</b>	<b>\$ 45,811</b>		<b>\$ 3,005,413</b>	<b>\$ 3,781,834</b>
<b>LIABILITIES AND FUND BALANCE</b>								
Liabilities:								
Warrants Payable	\$ 227,604	\$ 16,487	\$ 0	\$ 0	\$ 0			\$ 244,091
Reserve for Encumbrances	0	0	0	0	0			0
Due to Activity Groups	0	0	0	0	45,811			45,811
General Obligation Bonds Payable	0	0	0	0	0		650,000	650,000
Capitalized Lease Obligations Payable	0	0	0	0	0		2,247,508	2,247,508
Compensated Absences Payable	0	0	0	0	0		107,905	107,905
<b>Total Liabilities</b>	<b>\$ 227,604</b>	<b>\$ 16,487</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 45,811</b>		<b>\$ 3,005,413</b>	<b>\$ 3,295,315</b>
Fund Balances:								
Restricted For:								
Debt Service	\$ 0	\$ 0	\$ 22,367	\$ 0	\$ 0			\$ 22,367
Capital Projects	0	0	0	1,271	0			1,271
Building Programs	0	106,006	0	0	0			106,006
Child Nutrition Programs	0	21,203	0	0	0			21,203
Cooperative Programs	0	12,829	0	0	0			12,829
Unassigned	322,842	(0)	0	0	0			322,842
<b>Total Fund Balances</b>	<b>\$ 322,842</b>	<b>\$ 140,038</b>	<b>\$ 22,367</b>	<b>\$ 1,271</b>	<b>\$ 0</b>		<b>\$ 0</b>	<b>\$ 486,519</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 550,446</b>	<b>\$ 156,526</b>	<b>\$ 22,367</b>	<b>\$ 1,271</b>	<b>\$ 45,811</b>		<b>\$ 3,005,413</b>	<b>\$ 3,781,834</b>

The notes to the financial statements are an integral part of this statement.

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - All Governmental Fund Types**  
**For the Year Ending June 30, 2013**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2013
<b>Revenue Collected:</b>					
Local Sources	\$ 654,580	\$ 129,473	\$ 340,691	\$ 0	\$ 1,124,744
Intermediate Sources	85,114	0	0	0	85,114
State Sources	2,047,496	32,453	6,627	0	2,086,576
Federal Sources	334,349	213,352	0	0	547,701
Non-Revenue Receipts	2,026	0	0	0	2,026
<b>Total Revenue Collected</b>	<b>\$ 3,123,564</b>	<b>\$ 375,278</b>	<b>\$ 347,318</b>	<b>\$ 0</b>	<b>\$ 3,846,160</b>
<b>Expenditures Paid:</b>					
Instruction	\$ 2,032,144	\$ 48,529	\$ 0	\$ 0	\$ 2,080,673
Support Services	1,348,914	33,853	0	0	1,382,767
Operation of Non-Instructional Services	586	297,965	0	0	298,550
Facilities Acquisition and Construction	0	62,866	0	0	62,866
Other Outlays	2,026	0	0	0	2,026
Other Uses	0	0	0	0	0
Repayments	0	0	0	115,000	115,000
Interest Paid on Warrants and Bank Charges	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	330,000	0	330,000
Interest and Fiscal Agent Fees	0	0	22,630	0	22,630
<b>Total Expenditures Paid</b>	<b>\$ 3,383,669</b>	<b>\$ 443,213</b>	<b>\$ 352,630</b>	<b>\$ 115,000</b>	<b>\$ 4,294,512</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ (260,105)</b>	<b>\$ (67,935)</b>	<b>\$ (5,312)</b>	<b>\$ (115,000)</b>	<b>\$ (448,352)</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 1,759</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,759</b>
<b>Other Financing Sources (Uses):</b>					
Estopped Warrants	\$ 387	\$ 363	\$ 0	\$ 0	\$ 750
Bond Proceeds	0	0	0	115,000	115,000
Transfers In	12,405	39,448	0	0	51,853
Transfers Out	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 12,792</b>	<b>\$ 39,811</b>	<b>\$ 0</b>	<b>\$ 115,000</b>	<b>\$ 167,603</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ (245,554)</b>	<b>\$ (28,124)</b>	<b>\$ (5,312)</b>	<b>\$ 0</b>	<b>\$ (278,989)</b>
<b>Fund Balance - Beginning of Year</b>	<b>568,396</b>	<b>168,162</b>	<b>27,679</b>	<b>1,271</b>	<b>765,508</b>
<b>Fund Balance - End of Year</b>	<b>\$ 322,842</b>	<b>\$ 140,038</b>	<b>\$ 22,367</b>	<b>\$ 1,271</b>	<b>\$ 486,519</b>

The notes to the financial statements are an integral part of this statement.

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types**  
**For the Year Ending June 30, 2013**

	General Fund			Special Revenue Funds			Debt Service Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>									
Local Sources	\$ 587,673	\$ 587,673	\$ 654,580	\$ 82,736	\$ 82,736	\$ 129,473	\$ 326,201	\$ 326,201	\$ 347,318
Intermediate Sources	77,500	77,500	85,114	0	0	0	0	0	0
State Sources	1,986,192	1,986,192	2,047,496	66,200	66,200	32,453	0	0	0
Federal Sources	192,283	192,283	334,349	195,300	195,300	213,352	0	0	0
Non-Revenue Receipts	0	0	2,026	0	0	0	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 2,843,648</b>	<b>\$ 2,843,648</b>	<b>\$ 3,123,564</b>	<b>\$ 344,236</b>	<b>\$ 344,236</b>	<b>\$ 375,278</b>	<b>\$ 326,201</b>	<b>\$ 326,201</b>	<b>\$ 347,318</b>
<b>Expenditures Paid:</b>									
Instruction	\$ 2,135,466	\$ 2,135,466	\$ 2,032,144	\$ 54,903	\$ 54,903	\$ 48,529	\$ 0	\$ 0	\$ 0
Support Services	1,265,196	1,265,196	1,348,914	11,934	11,934	33,853	0	0	0
Operation of Non-Instructional Services	1,639	1,639	586	302,522	302,522	297,965	0	0	0
Facilities Acquisition and Construction	9,299	9,299	0	181,538	181,538	62,866	0	0	0
Other Outlays	444	444	2,026	0	0	0	353,880	353,880	352,630
Other Uses	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0
Interest Paid on Warrants and Bank Charges	0	0	0	0	0	0	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 3,412,044</b>	<b>\$ 3,412,044</b>	<b>\$ 3,383,669</b>	<b>\$ 550,898</b>	<b>\$ 550,898</b>	<b>\$ 443,213</b>	<b>\$ 353,880</b>	<b>\$ 353,880</b>	<b>\$ 352,630</b>
<b>Excess of Revenues Collected Over (Under)</b>									
<b>Expenditures Paid Before Adjustments to</b>	<b>\$ (568,396)</b>	<b>\$ (568,396)</b>	<b>\$ (260,105)</b>	<b>\$ (206,662)</b>	<b>\$ (206,662)</b>	<b>\$ (67,935)</b>	<b>\$ (27,679)</b>	<b>\$ (27,679)</b>	<b>\$ (5,312)</b>
<b>Prior Year Encumbrances</b>	<b>0</b>	<b>0</b>	<b>1,759</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>									
Extinguished Warrants	\$ 0	\$ 0	\$ 387	\$ 0	\$ 0	\$ 363	\$ 0	\$ 0	\$ 0
Transfers In	0	0	12,405	38,500	38,500	39,448	0	0	0
Transfers Out	0	0	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,792</b>	<b>\$ 38,500</b>	<b>\$ 38,500</b>	<b>\$ 39,811</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Excess (Deficiency) of Revenue Collected</b>									
<b>Over Expenditures Paid and Other Financing</b>	<b>\$ (568,396)</b>	<b>\$ (568,396)</b>	<b>\$ (245,554)</b>	<b>\$ (168,162)</b>	<b>\$ (168,162)</b>	<b>\$ (28,124)</b>	<b>\$ (27,679)</b>	<b>\$ (27,679)</b>	<b>\$ (5,312)</b>
<b>Sources (Uses)</b>									
<b>Fund Balance - Beginning of Year</b>	<b>568,396</b>	<b>568,396</b>	<b>568,396</b>	<b>168,162</b>	<b>168,162</b>	<b>168,162</b>	<b>27,679</b>	<b>27,679</b>	<b>27,679</b>
<b>Fund Balance - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 322,842</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 140,038</b>	<b>\$ (0)</b>	<b>\$ (0)</b>	<b>\$ 22,367</b>

The notes to the financial statements are an integral part of this statement.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies**

The basic financial statements of the Ninnekah Public Schools Independent District No. 51, Grady County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

**1.A. Reporting Entity**

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and /or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The District has various supporting groups. However, the District does not appoint any of the board members or exercise any oversight authority over these groups and the dollar amounts are not material to the District.

**1.B. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.B. Fund Accounting, Governmental Fund Types, (continued)**

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

**Governmental Fund Types**

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

**1. General Fund** - The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenues sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program.

Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

**2. Special Revenue Funds** - The Special Revenue Funds of the District consist of the Building Fund and the Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries to operate the lunchroom. The district also deposits reimbursements received from the National School Lunch and Breakfast programs into this fund. .

Cooperative Fund -- The Cooperative Fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. Ninnekah was the LEA for a cooperative agreement established by a state alternative education program.

**3. Debt Service Fund** - The debt service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

**4. Capital Projects Fund** - The Capital Projects Fund consists of the Districts 2003, 2009, and 2010 Building and a 2007 Transportation bond issue. These funds are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.B. Fund Accounting, (continued)**

**Fiduciary Fund Types**

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, trust funds are used for their accounting and reporting. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

**1. Agency Funds** - The Agency Fund is the School Activities fund, which is used to account for monies, collected principally through fundraising efforts of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, of collecting, disbursing and accounting for these activity funds.

**Account Groups**

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

1. General long-term Debt Account Group - This account group is used to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for liabilities for compensated absences and early retirement incentives, which are to be paid from funds provided in future years.

2. General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the District. The District does not have the information necessary to include this group in its combined financial statements.

**Memorandum Only - Total Column**

The total column on the general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**1.C. Basis of Accounting and Presentation**

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.C. Basis of Accounting and Presentation, (continued)**

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

**1.D. Budgets and Budgetary Accounting**

The District is required by state law to prepare an annual budget. The board of education requests an initial temporary appropriations budget from the county excise board before June 30. Then no later than October 1, the board of education prepares financial statement and estimate of needs and files it with the applicable county clerk and the State Department of Education. The final budget may be revised upon approval of the board of education and the county excise board.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

**1.E. Assets, Liabilities and Fund Equity**

Cash and Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of direct obligations of the United States government and agencies with maturities greater than three months when purchased. All investments are records at cost, which approximated market value.

Property Tax Revenues – The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

**1.E. Assets, Liabilities and Fund Equity, (continued)**

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Inventories – The value of consumable inventories at June 30, 2013, is not material to the basic financial statements.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group has not been presented.

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Vested accumulated rights to receive sick pay benefits have not been reported in the general long-term debt account group since the amount is not material to the financial statements.

Long-Term Debt – Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund Balance - In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund) and those that are spendable (such as fund balance associated with cash, investments or receivables).



# **Ninnekah ISD No. 51, Grady County**

## **Notes To The Financial Statements**

**For The Year Ended June 30, 2013**

### **Note 1 - Summary of Significant Accounting Policies, (continued)**

#### **1.E. Assets, Liabilities and Fund Equity, (continued)**

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

**Assigned** fund balance represents amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

#### **1.F. Revenue, Expenses, and Expenditures**

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of the state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

#### **1.F. Revenue, Expenses, and Expenditures, (continued)**

The District receives revenue from the state to administer certain categorical education programs. The State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided. These rules also require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 1 - Summary of Significant Accounting Policies, (continued)**

Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**Note 2 – Deposit and Investment Risk**

The District held the following deposits and investments at June 30, 2013:

	<u>Carrying Value</u>	
Deposits:		
Demand Deposits	\$ 779,525	
Time Deposits -- Certificate of Deposits	-0-	
Total Deposits	<u>\$ 779,525</u>	
Investments Other Than Certificate of Deposits:	<u>Fair Value</u>	<u>Credit Rating</u> <u>Maturity Date</u>
None		

Reconciliation to the Combined Statement of Assets, Liabilities and Equity

Cash and Cash Equivalents	\$ 776,421
Investments	0
Activity Fund Outstanding Checks	<u>3,104</u>
Total Deposits and Investments	<u>\$ 779,525</u>

**Custodial Credit Risk** – Exposure to custodial credit related to deposits exists when the District holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the District holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2013, the District was not exposed to custodial credit risk as defined above.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 2 – Deposit and Investment Risk, (continued)**

**Investment Credit Risk** – The District has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investment in:

1. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
2. Certificates of deposit of banks when such certificates of deposits are secured by acceptable collateral for the deposit of public monies.
3. Savings accounts or saving certificates to the extent that such accounts or certificates are fully insured by the United States Government.
4. Repurchase agreements that have underlying collateral including obligations of the United States government, its agencies and instrumentalities, or the State of Oklahoma.
5. County, municipal or school district debt obligations for which an ad valorem tax may be levied.
6. Money market funds regulated by the SEC and in which investments consist of the investments consist of obligations of the United States, its agencies and instrumentalities.
7. Warrants, bonds or judgments of the school district.
8. Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the board of education has voted to be a member, the investments of which consist of those items specified in paragraphs 1 through 7 above, as well as obligations of the United States agencies and instrumentalities.
9. Any other investment that is authorized by law.

Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investment by reporting the credit quality ratings of investment in debt securities as determined by nationally recognized statistical rating organizations-rating agencies-as of the year end. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

The district had no investment credit risk as of June 30, 2013, as defined above.

**Investment Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments. The District had no investment interest rate risk as defined above.

**Concentration of Investment Credit Risk** – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District places no limit on the amount it may invest in any one issuer.

At June 30, 2013, the District had no concentration of credit risk as defined above.

# Ninnekah ISD No. 51, Grady County

## Notes To The Financial Statements

For The Year Ended June 30, 2013

### Note 3 - General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements and transportation purposes. These bonds are required to be fully paid serially within 25 years from the date of issue.

General long-term debt of the District consists of bonds payable and capital lease purchases. Debt service requirements for bonds are payable solely from the fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013:

	Bonds Payable	Capital Lease Obligations	Compensated Absences	Total
Balance July 1, 2012	865,000	2,317,576	93,503	3,276,079
Additions	115,000	-	14,412	129,412
Retirements	330,000	70,068	0	400,068
Balance June 30, 2013	650,000	2,247,508	107,915	3,005,423

A brief description of the outstanding general obligation bond issues at June 30, 2013, is set forth below:

	Interest Rate	Maturity Date	Amount Issued	Amount Outstanding
2009 Building Bonds	2.35 to 3.0%	July 1, 2014	\$ 840,000	\$ 210,000
2010 Building Bonds	2.00 to 3.85%	July 1, 2015	\$ 160,000	\$ 80,000
2011 Building Bonds	1.00 to 2.0%	July 1, 2016	\$ 325,000	245,000
2012 Building Bonds	.9% to 1.6%	July 1, 2016	\$ 115,000	\$ 115,000
<b>Totals</b>			<b>\$ 1,440,000</b>	<b>\$ 650,000</b>

Presented below is a summary of debt service requirements to maturity by years and by each bond issue:

	Principal	Interest	Total
<b>2009 Building Bond</b>			
2013-14	\$ 210,000	\$ 5,355	\$ 215,355
<b>Sub Total</b>	<b>\$ 210,000</b>	<b>\$ 5,355</b>	<b>\$ 215,355</b>
<b>2010 Building Bond</b>			
2013-14	\$ 40,000	\$ 1,900	\$ 41,900
2014-15	\$ 40,000	\$ 1,000	\$ 41,000
<b>Sub Total</b>	<b>80,000</b>	<b>2,900</b>	<b>82,900</b>

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 3 - General Long-term Debt (continued)**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>2011 Building Bond</b>			
2013-14	\$ 80,000	\$ 4,020	\$ 84,020
2014-15	\$ 80,000	\$ 3,060	\$ 83,060
2015-16	\$ 85,000	\$ 1,700	\$ 86,700
<b>Sub Total</b>	<b>245,000</b>	<b>8,780</b>	<b>253,780</b>
 <b>2012 Building Bond</b>			
2013-14	\$ 25,000	\$ 2,850	\$ 27,850
2014-15	\$ 30,000	\$ 1,200	\$ 31,200
2015-16	\$ 30,000	\$ 870	\$ 30,870
2016-17	\$ 30,000	\$ 480	\$ 30,480
<b>Sub Total</b>	<b>115,000</b>	<b>5,400</b>	<b>120,400</b>
 <b>Total Bonds</b>	<b>\$ 650,000</b>	<b>\$ 22,435</b>	<b>\$ 672,435</b>

Interest expense on bonds payable incurred during the current year totaled \$22,630.

The District has entered into a lease agreement as lessee for financing the improvements to the Districts buildings. The lease agreements qualifies as a capital lease for accounting purposes since title transfers at the end of the lease term it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the District the ability to terminate the lease agreements at the end of each fiscal year.

As noted in Note 1 to the financial statements, the District does not record fixed assets in the financial statements. Consistent with this, the District has not recorded the above assets as assets in the General Fixed Assets Account Group. The District has recorded the liability for future lease payments in the general long-term debt account group for the above leases. The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments at June 30, is as follows:

<b>Year Ending</b>	<b>Lease Purchase Lease Payments</b>
<b>Jun 30</b>	
2014	\$ 702,866
2015	332,866
2016	432,866
2017	277,866
2018	642,866
2019	201,809
<b>Total</b>	<b>\$ 2,591,138</b>
<b>Less: Amount Representing Interest</b>	<b>\$ (343,630)</b>
<b>Present Value of Future Minimum Lease Payments</b>	<b>\$ 2,247,508</b>

## **Ninnekah ISD No. 51, Grady County**

### **Notes To The Financial Statements**

**For The Year Ended June 30, 2013**

#### **Compensated Absences**

Upon retirement, thirty-five dollars (\$35.00) will be paid for personal days accumulated up to ten (10) days. Upon retirement, employees in the Ninnekah School District will be provided one of two options: 1) The employee will be paid \$11.00 for each day of sick leave accumulated in the Ninnekah School District up to a maximum of one hundred and twenty (120) days. 2) The employee may use the entire 120 days for retirement purposes as allowed under present Oklahoma State Law.

Employees having over one hundred and twenty (120) days of sick leave accumulated in the Ninnekah School District will be paid fifteen (\$15) dollars for each day over the one hundred and twenty (120) days at the end of the school year.

Below is a breakdown of the District's liability for compensated absences as of June 30, 2013:

Personal Days	\$ 25,668
Sick Days	<u>82,247</u>
<b>Total Liability</b>	<b><u>\$107,915</u></b>

#### **Note 4 - Employee Retirement System**

**Plan Description** - The District participates in the state-administered Oklahoma Teachers' Retirement System (the "System") which is a cost-sharing multiple-employer defined benefit Public Employee Retirement System. Under the System the District, the State of Oklahoma, and the participating employees make contributions. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The district has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

The System issues an independent financial report, financial statements and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, Ok 73152 or by calling (405) 521-2387.

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent or the average of the highest three earning years of contributory service multiplied by the number of years of credited service. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000, and the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2013. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7%.

The District's contributions to the System for the years ending June 30, 2013, 2012, and 2011 were \$201,131, \$194,130, and \$182,228, respectively.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 4 - Employee Retirement System, (continued)**

The compensation for employees covered by the System for the year ended June 30, 2013 was \$2,059,242; the District's total compensation was \$2,366,871. In addition to the District's 9.50% contributions, the District was required to pay into the System 8.00% of compensation arising from federal grants (\$5,988). There were \$113,293 contributions made by employees during the year ended June 30, 2013.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The nonfunded pension benefit obligation of the System as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

Total pension obligation	\$ 18,588,042,438
Net assets available for benefits, at cost	<u>10,190,480,780</u>
Nonfunded pension benefit obligation	<u>\$ 8,397,561,658</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

Ten-year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2012. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they come due.

**Note 5 - Contingencies**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

**Note 6 – Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The District had the following insurance coverage during the year: Commercial property - \$350,000,000; general liability - \$1,000,000; and educators liability \$1,000,000. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

**Ninnekah ISD No. 51, Grady County**  
**Notes To The Financial Statements**  
**For The Year Ended June 30, 2013**

**Note 6 – Risk Management (continued)**

The School also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the school reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five year. OSAG provides coverage in excess of the Loss Fund so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years it is returned to them with no interest.

**Note 7 - Use of Estimates**

The preparation of financial statements in conformity with the cash basis and budget laws of the Oklahoma State Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 8 – Surety Bonds**

The District has a surety bond with The Ohio Casualty Insurance Company that covers the following employees for the following amounts:

Administrative Assistant	\$ 1,000
Superintendent	\$ 100,000
Encumbrance Clerk	\$ 1,000
Minute Clerk	\$ 1,000
Treasurer	\$ 100,000
Activity Fund Clerk	\$ 1,000
Payroll Clerk	\$ 1,000
Elementary Principal	\$ 1,000

The bond number 1594567 is continuous and has been in effect since April 4, 1988.



OTHER SUPPLEMENTAL INFORMATION

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combining Statement of Assets, Liabilities and Fund Balances**  
**Regulatory Basis - All Special Revenue Funds**  
**For the Year Ending June 30, 2013**

<b><u>ASSETS</u></b>	<b><u>Building Fund</u></b>	<b><u>Child Nutrition Fund</u></b>	<b><u>Coop Fund</u></b>	<b><u>Total June 30, 2013</u></b>
Cash and Cash Equivalents	\$ 111,914	\$ 28,813	\$ 15,798	\$ 156,526
Investments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Assets</i>	<u>\$ 111,914</u>	<u>\$ 28,813</u>	<u>\$ 15,798</u>	<u>\$ 156,526</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>				
Liabilities:				
Warrants Payable	\$ 5,908	\$ 7,610	\$ 2,969	\$ 16,487
Reserve for Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Liabilities</i>	<u>\$ 5,908</u>	<u>\$ 7,610</u>	<u>\$ 2,969</u>	<u>\$ 16,487</u>
Fund Balances:				
Restricted	\$ 106,006	\$ 21,203	\$ 12,829	\$ 140,038
<i>Total Fund Balances</i>	<u>\$ 106,006</u>	<u>\$ 21,203</u>	<u>\$ 12,829</u>	<u>\$ 140,038</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 111,914</u>	<u>\$ 28,813</u>	<u>\$ 15,798</u>	<u>\$ 156,526</u>

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances**  
**Regulatory Basis - Special Revenue Funds**  
**For the Year Ending June 30, 2013**

	<b>Building Fund</b>	<b>Child Nutrition Fund</b>	<b>Cooperative Fund</b>	<b>Total June 30, 2013</b>
<b>Revenue Collected:</b>				
Local Sources	\$ 90,312	\$ 21	\$ 39,140	\$ 129,473
Intermediate Sources	0	0	0	0
State Sources	1,676	21,462	9,315	32,453
Federal Sources	0	213,352	0	213,352
Non-Revenue Receipts	0	0	0	0
<i>Total Revenue Collected</i>	<u>\$ 91,988</u>	<u>\$ 234,835</u>	<u>\$ 48,455</u>	<u>\$ 375,278</u>
<b>Expenditures Paid:</b>				
Instruction	\$ 0	\$ 0	\$ 48,529	\$ 48,529
Support Services	33,853	0	0	33,853
Operation of Non-Instructional Services	0	297,965	0	297,965
Facilities Acquisition and Construction	62,866	0	0	62,866
Other Outlays	0	0	0	0
Other Uses	0	0	0	0
Repayments	0	0	0	0
Interest Paid and Bank Charges	0	0	0	0
<i>Total Expenditures Paid</i>	<u>\$ 96,719</u>	<u>\$ 297,965</u>	<u>\$ 48,529</u>	<u>\$ 443,213</u>
<i>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</i>	<u>\$ (4,731)</u>	<u>\$ (63,130)</u>	<u>\$ (74)</u>	<u>\$ (67,935)</u>
<b>Adjustments to Prior Year Encumbrances</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Other Financing Sources (Uses):</b>				
Estopped Warrants	\$ 0	\$ 363	\$ 0	\$ 363
Transfers In	0	39,448	0	39,448
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>\$ 0</u>	<u>\$ 39,811</u>	<u>\$ 0</u>	<u>\$ 39,811</u>
<i>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</i>	<u>\$ (4,731)</u>	<u>\$ (23,319)</u>	<u>\$ (74)</u>	<u>\$ (28,124)</u>
<i>Fund Balance - Beginning of Year</i>	<u>110,737</u>	<u>44,522</u>	<u>12,903</u>	<u>168,162</u>
<i>Fund Balance - End of Year</i>	<u><u>\$ 106,006</u></u>	<u><u>\$ 21,203</u></u>	<u><u>\$ 12,829</u></u>	<u><u>\$ 140,038</u></u>

Ninnekah School District No.1-051, Grady County, Oklahoma  
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances  
Special Revenue Funds - Budget and Actual  
For the Year Ending June 30, 2013

	Building Fund			Cooperative Fund			Child Nutrition Fund			Total		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
<b>Revenue Collected:</b>												
Local Sources	\$ 82,736	\$ 82,736	\$ 90,312	\$ 0	\$ 0	\$ 39,140	\$ 0	\$ 0	\$ 21	\$ 82,736	\$ 82,736	\$ 129,473
Intermediate Sources	0	0	0	0	0	0	0	0	0	0	0	0
State Sources	0	0	1,676	42,000	42,000	9,315	24,200	24,200	21,462	66,200	66,200	32,453
Federal Sources	0	0	0	0	0	0	195,300	195,300	213,352	195,300	195,300	213,352
Non-Revenue Receipts	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue Collected</b>	<b>\$ 82,736</b>	<b>\$ 82,736</b>	<b>\$ 91,988</b>	<b>\$ 42,000</b>	<b>\$ 42,000</b>	<b>\$ 48,455</b>	<b>\$ 219,500</b>	<b>\$ 219,500</b>	<b>\$ 234,835</b>	<b>\$ 344,236</b>	<b>\$ 344,236</b>	<b>\$ 375,278</b>
<b>Expenditures Paid:</b>												
Instruction	\$ 0	\$ 0	\$ 0	\$ 54,903	\$ 54,903	\$ 48,529	\$ 0	\$ 0	\$ 0	\$ 54,903	\$ 54,903	\$ 48,529
Support Services	11,934	11,934	33,853	0	0	0	0	0	0	11,934	11,934	33,853
Operation of Non-Instructional Services	0	0	0	0	0	0	302,522	302,522	297,965	302,522	302,522	297,965
Facilities Acquisition and Construction	181,538	181,538	62,866	0	0	0	0	0	0	181,538	181,538	62,866
Other Outlays	0	0	0	0	0	0	0	0	0	0	0	0
Other Uses	0	0	0	0	0	0	0	0	0	0	0	0
Repayments	0	0	0	0	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Expenditures Paid</b>	<b>\$ 193,473</b>	<b>\$ 193,473</b>	<b>\$ 96,719</b>	<b>\$ 54,903</b>	<b>\$ 54,903</b>	<b>\$ 48,529</b>	<b>\$ 302,522</b>	<b>\$ 302,522</b>	<b>\$ 297,965</b>	<b>\$ 550,898</b>	<b>\$ 550,898</b>	<b>\$ 443,213</b>
<b>Excess of Revenues Collected Over (Under) Expenditures Paid Before Adjustments to Prior Year Encumbrances</b>	<b>\$ (110,737)</b>	<b>\$ (110,737)</b>	<b>\$ (4,731)</b>	<b>\$ (12,903)</b>	<b>\$ (12,903)</b>	<b>\$ (74)</b>	<b>\$ (83,022)</b>	<b>\$ (83,022)</b>	<b>\$ (63,130)</b>	<b>\$ (206,662)</b>	<b>\$ (206,662)</b>	<b>\$ (67,935)</b>
<b>Adjustments to Prior Year Encumbrances</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Other Financing Sources (Uses):</b>												
Stoppage Warrants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 363	\$ 0	\$ 0	\$ 363
Transfers In	0	0	0	0	0	0	38,500	38,500	39,448	38,500	38,500	39,448
Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 38,500</b>	<b>\$ 38,500</b>	<b>\$ 39,811</b>	<b>\$ 38,500</b>	<b>\$ 38,500</b>	<b>\$ 39,811</b>
<b>Excess (Deficiency) of Revenue Collected Over Expenditures Paid and Other Financing Sources (Uses)</b>	<b>\$ (110,737)</b>	<b>\$ (110,737)</b>	<b>\$ (4,731)</b>	<b>\$ (12,903)</b>	<b>\$ (12,903)</b>	<b>\$ (74)</b>	<b>\$ (44,522)</b>	<b>\$ (44,522)</b>	<b>\$ (23,319)</b>	<b>\$ (168,162)</b>	<b>\$ (168,162)</b>	<b>\$ (28,124)</b>
<b>Fund Balance - Beginning of Year</b>	<b>\$ 110,737</b>	<b>\$ 110,737</b>	<b>\$ 110,737</b>	<b>\$ 12,903</b>	<b>\$ 12,903</b>	<b>\$ 12,903</b>	<b>\$ 44,522</b>	<b>\$ 44,522</b>	<b>\$ 44,522</b>	<b>\$ 168,162</b>	<b>\$ 168,162</b>	<b>\$ 168,162</b>
<b>Fund Balance - End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 106,006</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,829</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 21,203</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 140,038</b>

Exhibit A-3

**Ninnekah School District No. I-051, Grady County, Oklahoma**  
**Combining Assets, Liabilities and Fund Equity**  
**Activity Fund - Regulatory Basis**  
**For the Year Ending June 30, 2013**

	<u>School Activity Fund</u>
<b><u>ASSETS</u></b>	
Cash	\$ 45,811
Investments	<u>0</u>
<i>Total Assets</i>	<u>\$ 45,811</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>	
Liabilities:	
Due To Activity Groups	\$ <u>45,811</u>
<i>Total Liabilities</i>	<u>\$ 45,811</u>
Fund Equity:	
Unreserved/Undesignated	\$ <u>0</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 45,811</u>

**Ninnekah School District No.1-051, Grady County, Oklahoma**  
**Combining Statement of Changes in Assets and Liabilities**  
**Regulatory Basis - Activity Fund**  
**For the Year Ending June 30, 2013**

<b>ACTIVITIES</b>	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
Child Nutr Program	\$ 0	\$ 39,755	\$ 39,755	\$ 0
General Miscellaneous	1,552	7,978	8,073	1,457
Athletics	1,687	44,675	45,497	865
First Grade Supplies	61	1,132	871	322
Jeffries Supplies	481	1,230	1,382	329
Lovell Supplies	26	838	482	382
FFA	18,103	102,197	105,310	14,990
Student Council	26	222	188	60
Yearbook	1,124	8,475	7,813	1,786
Gann Supplies	223	658	334	547
Elementary	11,506	17,211	19,122	9,595
Clearing Refund Account	0	209	209	0
Robinson Supplies	469	976	976	469
Science Club	401	0	0	401
Library	188	7,432	7,412	208
HS Cheerleaders	148	4,578	3,450	1,276
Ninnekah DC Trip	0	2,044	1,455	589
JH Cheerleaders	0	1,231	403	828
Spirit Club	1,343	4,334	4,935	742
Fitzwater Supplies	123	1,119	824	418
Elementary STUCO	71	0	0	71
Elem GT	544	493	571	466
Class of 2015	241	1,392	932	701
Ratzlaff Supplies	2,711	2,174	4,523	362
Flower Fund	669	666	555	780
Burns Supplies	604	1,239	1,486	357
7th & 8th Center	641	536	826	351
Harrell Supplies	122	654	580	196
Educational Foundation	200	0	0	200
Spanish Club	2,418	0	81	2,337
Class of 2016	589	0	0	589
Academic Team	18	0	0	18
Record Searches	90	450	405	135
Brookshire/Lawler Supplies	187	3,941	4,051	77
Chess Club	47	0	0	47
Pre K Supplies-Ferguson	285	1,519	1,356	448
Class of 2014	1,124	5,779	5,900	1,003
Drama Club	348	0	0	348
Art Club	610	1,575	2,001	184
Rowell Supplies	68	0	0	68
Class of 2013	1,589	909	2,131	367
Class of 2017	222	0	0	222
6th Supplies	516	1,813	1,607	722
Class of 2012	42	0	42	0
CPR Class	65	0	0	65
5 H	0	7,031	6,598	433
<b>Total Activities</b>	<b>\$ 51,482</b>	<b>\$ 276,465</b>	<b>\$ 282,136</b>	<b>\$ 45,811</b>

NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY - OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
ALLOCATIONS & EXPENDITURES  
07/01/12 TO 06/30/13

FEDERAL CFDA NUMBER	FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2012	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2013
84.358A	U.S. Department of Education - Direct Programs REAP	588	\$87,610.00	\$0.00	\$53,517.00	\$53,517.00	\$0.00
84.010	State Department of Education - Title I	511	121,065.15	0.00	119,740.11	119,740.11	0.00
84.367	Title II, Part A	541/586	26,800.93	0.00	26,556.51	26,556.51	0.00
84.318	Title II, Part D Enhancing Educ through Tech	547	0.00	3,424.43	3,424.43	0.00	0.00
84.027	IDEA-B Flow Through	621	118,857.32	27,636.92	129,058.97	101,422.05	0.00
93.778	Oklahoma Health Care Authority - Medicaid Resources	698	419.30	0.00	419.30	419.30	0.00
15.130	Other Federal Assistance - Johnson O'Malley	563	1,632.78	0.00	1,632.78	1,632.78	0.00

CONTINUED ON PAGE 2

NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY - OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
ALLOCATIONS & EXPENDITURES  
07/01/12 TO 06/30/13

Page 2

FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	CASH/ACCRUED OR (DEFERRED) REVENUE AT JULY 1, 2012	RECEIPTS OR REVENUE RECOGNIZED	DISBURSEMENTS/ EXPENDITURES	CASH/ACCRUED OR (DEFERRED) REVENUE AT JUNE 30, 2013
<u>U.S. Department of Agriculture -</u>						
Child Nutrition Cluster:						
National School Lunch Program	10.555	763	112,054.38	112,054.38	112,054.38	0.00
School Breakfast Program	10.553	764	99,371.02	99,371.02	99,371.02	0.00
Summer Food Program	10.559	766	1,433.08	1,926.25	1,128.40	1,128.40
Total Cash Assistance			1,926.25	213,351.65	212,553.80	1,128.40
Commodity Distribution	10.550	N/A	11,555.66	11,555.66	11,555.66	0.00
Total Child Nutrition Program			1,926.25	224,907.31	224,109.46	1,128.40
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$32,987.60	\$559,256.41	\$527,397.21	\$1,128.40

NOTE 1: The Schedule of Expenditures of Federal Awards was prepared using the same accounting policies used in preparing the District's financial statements. The District's policy is to recognize expenditures when encumbered (contracted for) rather than at the time the related fund liability is incurred.

NOTE 2: The District policy is to expend Child Nutrition federal, state and local revenues, in that order, during each fiscal year. If there are any unexpended federal or state funds remaining at the end of a fiscal year, those funds will be expended during the next fiscal year, prior to the utilization of current year funding.

NOTE 3: The amount shown as received and expended in the Child Nutrition Cluster for commodities represents a nonmonetary value of the food commodities received. Therefore, the total revenues and expenditures do not agree with the financial statements by this amount.

NOTE 4: The District expended and received \$419.30 in Medicaid Resources. These expenditures were not coded to the Oklahoma Cost Accounting System (OCAS) but are included in the federal expenditures on this schedule.

The notes to financial statements are an integral part of this statement.



NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY – OKLAHOMA  
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL  
LIABILITY INSURANCE AFFIDAVIT  
JULY 1, 2012 TO JUNE 30, 2013

STATE OF OKLAHOMA )  
 )  
COUNTY OF GARFIELD )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant' Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with the Ninnekah School District #I-51, Grady County, Oklahoma, for the audit year 2012-13.

Chas. W. Carroll, P.A.  
Auditing Firm

By: *Chas. W. Carroll*

Subscribed and sworn to before me this 24<sup>th</sup> day of March, 2014.

*Pam S. Melvin*  
Notary Public

My Commission expires January 29, 2016



# Chas. W. Carroll, P.A.

Hiland Tower – Suite 406  
302 N. Independence

Enid, Oklahoma 73701  
Phone 580-234-5468  
Fax 580-234-5425

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of Education  
Ninnekah School District #I-51  
Grady County, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements, regulatory basis, of Ninnekah School District #I-51, Grady County, Oklahoma, as listed in the Table of Contents as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collective comprise the District's combined financial statements and have issued my report thereon dated March 24, 2014. The report on these financial statements was adverse because the District has elected to prepare its financial statements in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education, which is a material departure from accounting principles generally accepted in the United States of America. My opinion regarding the presentation of the financial statements referred to above in conformity with the prescribed basis of accounting was qualified due to the omission of the general fixed asset account group.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is deficiency, or a combination of deficiencies, in internal control such that there reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 13-01, that I consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The District's response to the findings identified in my audit is described in the accompanying school's corrective action plan. I did not audit the District's response and, accordingly I express no opinion on it.

This report is intended solely for the information and use of the federal awarding agencies and pass-through entities, school administration, others within the organization, and the School Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Chas. W. Carroll, P.A.", written in a cursive style.

Chas. W. Carroll, P.A.  
March 24, 2014

# Chas. W. Carroll, P.A.

Hiland Tower – Suite 805  
302 N. Independence

Enid, Oklahoma 73701  
Phone 580-234-5468  
Fax 580-234-5425

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Board of Education  
Ninnekah School District #I-51  
Grady County, Oklahoma

### Compliance

I have audited the compliance of Ninnekah School District #I-51, Grady County, Oklahoma with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Ninnekah School District #I-51 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2013. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB-Circular A-133.

### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining an effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the federal awarding agencies and pass-through entities, school administration, others within the organization, and the School Board and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chas. W. Carroll, P.A.", written in dark ink.

Chas. W. Carroll, P.A.  
March 24, 2014

OTHER INFORMATION

**NINNEKAH ISD NO.51, GRADY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

**SECTION 1**

Summary of Auditor's Results

Financial Statements

- |  |   |
|--|---|
| 1. Type of auditor's report issued   | Adverse<br>(Due to F/S being prepared on a regulatory basis of accounting.) |
| 2. Internal Control over financial reporting:                                    |   |
| a. Material weaknesses identified?   | No  |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes   |
| c. Noncompliance material to the financial statements noted?                     | No  |

Federal Awards

- |   |               |
|---|---------------|
| 1. Internal control over major programs:  |               |
| a. Material weaknesses identified?  | No            |
| b. Significant deficiencies identified not considered to be a material weakness?  | None reported |
| 2. Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510(A)? | No            |
| 4. Identification of major programs:  |               |
| <u>Name of Federal Program</u>  |               |
| Title I   |               |
| Child Nutrition   |               |
| 5. Dollar Threshold used to distinguish between Type A and Type B programs:   | \$300,000     |
| 6. Auditee qualified as a low-risk auditee under OMB A-133, Section 530?  | No            |

**SECTION 2**

**Financial Statement Findings:**

**13-01 Finding**

**Statement of Condition** – Three (3) of 20 Activity Fund requisitions were dated after the invoice/order date indicating the goods/services were ordered before approved.

**NINNEKAH ISD NO. 51, GRADY COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2013**

**Financial Statement Findings:**

Page 2

**13-01 Finding (continued)**

Criteria – All purchases should be approved by the purchasing officer prior to purchase.

Cause/Effect of Condition – Employees lack of understanding of Activity Fund purchasing policies caused them to be in noncompliance with District purchasing policies.

Recommendation – All requisitions should be submitted and approved prior to any order for goods and services being placed.



NINNEKAH SCHOOL DISTRICT #I-51  
GRADY COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

DISPOSITION OF PRIOR YEAR FINDINGS  
JUNE 30, 2013

No matters were reported.

NINNEKAH SCHOOL DISTRICT #1-51  
GRADY COUNTY – OKLAHOMA  
JULY 1, 2012 TO JUNE 30, 2013

PRIOR YEAR AUDIT EXCEPTIONS AND RECOMENDATIONS

All prior year audit exceptions have since been resolved unless they are presented in the current year audit exceptions and recommendations followed by "A similar exception was presented in the previous years audit report".